



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

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Fifth District

January 18, 2005

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**LEASE AMENDMENT-TEN YEAR LEASE EXTENSION
DEPARTMENT OF MENTAL HEALTH
17707 STUDEBAKER ROAD, CERRITOS
(FOURTH DISTRICT) (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Chair to sign the attached lease amendment with Studebaker-Cerritos Project, Ltd. (Landlord), for 27,924 gross square feet of office space located at 17707 Studebaker Road, Cerritos, for use by the Department of Mental Health (DMH), at the initial annual rent of \$469,123. The rental costs are fully funded by Federal and State sources. The new ten-year lease term will commence upon expiration of the current lease term.
2. Find that the project is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Class 1, Section r of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15061 (b) (3) of the State CEQA Guidelines.
3. Approve the project and authorize the Chief Administrative Officer (CAO), DMH and Internal Services Department (ISD) to implement the project.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Since 1986, the subject facility has housed the Rio Hondo Mental Health Center (MHC) and the American Indian Counseling Center (AICC) which provide mental health services to clients in the southern portion of Service Planning Area (SPA) 7. The facility is staffed by 83 staff, comprised of 68 budgeted DMH staff, one County Safety Police Officer, two contract security staff, five interns and seven volunteers. The MHC and AICC provide services to approximately 150 and 24 clients per day, respectively, Monday through Friday, 8:00 am to 5:00 pm.

MHC services include case management, crisis intervention, medication support, community outreach, individual and group treatment. AICC provides comprehensive mental health services to American Indians and Alaska natives who suffer from severe chronic long-term mental illness.

DMH is currently investigating the feasibility of relocating the AICC to alternate space and backfilling with another DMH program. The proposed lease has been structured to allow DMH to commence County tenant improvements when a backfill program is identified and a preliminary space plan is made available to the landlord to begin the construction phase of the project.

While DMH staff levels currently exceed the County space standards at this location, the cost to build out new tenant improvements in a smaller facility, together with data, communication, furniture and moving costs, plus potentially higher lease rates, favor retention and renewal of the existing lease as the more financially viable option available to the County.

Continued occupancy at a competitive rate, with Landlord funded tenant and capital improvements, in addition to amortized tenant improvement work to be implemented when needed, further supports the recommendation to retain this facility as the most cost effective and efficient means of delivering service to clients in SPA 7. Adoption of the lease amendment, as recommended herein, will provide DMH continued and uninterrupted use of the office and clinic space.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Countywide Strategic Plan directs that we provide the public with easy access to quality information and services that are both beneficial and responsive (Goal 1). The proposed lease amendment supports this goal with a centrally located outpatient clinic for DMH, as further outlined in Attachment A.

FISCAL IMPACT/FINANCING

The proposed lease amendment will provide DMH uninterrupted use of 27,924 square feet of clinic and office space and 117 parking spaces at a base monthly rent of \$39,094 or \$469,123 annually. During the term the rent will be subject to annual Consumer Price Index (CPI) adjustment. The adjustment will be 50 percent of the CPI, not to exceed four percent of the base monthly rent.

17707 STUDEBAKER ROAD, CERRITOS	EXISTING LEASE	PROPOSED LEASE	CHANGE
Area (Square feet)	27,640	27,924	+284*
Term	01/22/1995 - 01/21/2005	01/22/2005 - 01/21/2015	+ ten years
Annual Rent	\$433,596 or \$15.69/sq. ft., split service, net utilities, janitorial and interior maintenance	\$469,123 or \$16.80/sq. ft., split service, net utilities, janitorial and interior maintenance	+\$35,527
Parking (included in rent)	117 off-street spaces	117 off-street spaces	None
Cancellation	After 60 months upon 60 days prior written notice	After 60 months upon 180 days prior written notice	+120 days prior written notice
Option to Renew	None	None	None
Purchase Right	Right of First Refusal	Option to Purchase after 60 months upon 180 days prior notice	+Option to Purchase
Rental Adjustment	None	50% of annual CPI capped at 4%	50% of annual CPI capped at 4%

*The premises square footage was increased after measurement according to the Building Owners and Managers Association (BOMA) standard for the measurement of office space.

Sufficient funding for the base rent of the proposed amendment is included in the 2004-2005 Rent Expense Budget and will be billed back to DMH.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The proposed amendment will provide uninterrupted use of 27,924 rentable square feet of clinic and office space and 117 parking spaces. The amendment extends the term under the same terms and conditions provided in the original lease, except for the following provisions:

- The ten-year term will commence January 22, 2005, upon expiration of the current term;
- The County will have the right to cancel the lease after 60 months upon 120 days prior written notice;
- The current monthly rent will increase from \$36,133 to \$39,094, or \$1.40 per square foot, and will be subject to annual adjustment not to exceed four percent, based on 50 percent of the CPI;
- The County will have the option to purchase the fee simple title to the real property and improvements after 60 months of the lease term upon 180 days prior written notice;
- The Landlord will provide capital improvements and deferred maintenance upgrades within 180 days of commencement of the new term at its sole cost and expense;
- The Lessor will provide tenant improvements when requested by DMH and amortize said improvements at eight percent per annum over the remaining term;
- The premises square footage has been increased to reflect measurement according to the Building Owners and Managers Association (BOMA) standard for the measurement of office space.

The CAO/Real Estate Division staff conducted a survey within the project area to determine the availability of comparable and more economical sites. Staff was unable to identify any suitable sites in the surveyed area that could accommodate this space requirement. Staff has established that the rental range for similar space is between \$16.56 and \$17.16 per square foot per year modified gross. Thus, the base annual rental rate of \$16.80 modified gross for the proposed lease represents the midrange of the market for the area. Attachment B shows all County-owned or leased facilities in the proximity of the service area, and there are no County-owned or leased facilities available for this program.

The Department of Public Works has completed a seismic inspection of the facility and found it suitable for the County's continued occupancy.

The existing location is a stand-alone building which does not provide sufficient space to house a child care center.

LEGAL/NEGATIVE DECLARATION/ENVIRONMENTAL IMPACT REPORT

The CAO has made an initial study of environmental factors and has concluded that this project is exempt from CEQA pursuant to Class 1, Section r, of the Environmental Document Reporting Procedures and Guidelines adopted by the Board on November 17, 1987, and Section (b) of the State CEQA Guidelines.

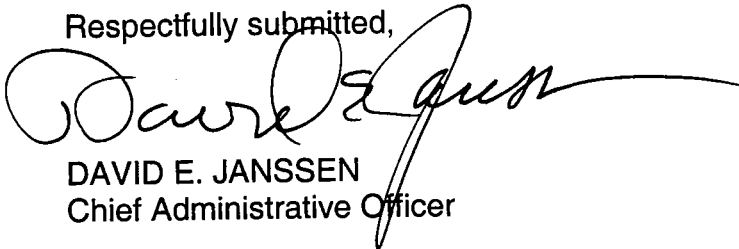
IMPACT ON CURRENT SERVICES (OR PROJECTS)

It is the finding of the CAO that the proposed lease amendment is in the best interests of the County and will provide the space necessary for the DMH to continue program operations. In accordance with your Board policy on the housing of any County offices or activities, the DMH concurs in the lease recommendation.

CONCLUSION

It is requested that the Executive Officer, Board of Supervisors return two originals of the lease amendment, two originals of the certified copies of the Minute Order and the adopted, stamped Board letter to the CAO Real Estate Division at 222 South Hill Street, 3rd Floor, Los Angeles, CA 90012.

Respectfully submitted,



DAVID E. JANSSEN
Chief Administrative Officer

DEJ:CWW
CEM:MM:hd

Attachments (3)
c: County Counsel
Auditor-Controller
Department of Mental Health

DEPARTMENT OF MENTAL HEALTH
17707 STUDEBAKER ROAD, CERRITOS
Asset Management Principles Compliance Form¹

1.	Occupancy		Yes	No	N/A
A	Does lease consolidate administrative functions? ² Administrative functions will remain centralized at DMH headquarters.				X
B	Does lease co-locate with other functions to better serve clients? ² The Department will continue to use the building exclusively for DMH programs pending availability of space in the future that could house other functions.			X	
C	Does this lease centralize business support functions? ²				X
D	Does this lease meet the guideline of 250 sq.ft of space per person? ² The space is used for clinic, office and ancillary therapy space. Current location exceeds guideline, however, relocation to a smaller facility would be more costly than remaining at the existing location.			X	
2.	Capital				
A	Should this program be in leased space to maximize State/Federal funding?			X	
B	If not, is this a long term County program?		X		
C	Is it a substantial net County cost (NCC) program? 0% NCC			X	
D	If yes to 2 B or C; is it a capital lease or an operating lease with an option to buy? Amendment to operating lease with option to buy.		X		
E	If no, are there any suitable County-owned facilities available?			X	
F	If yes, why is lease being recommended over occupancy in County-owned space?				X
G	Is Building Description Report attached as Attachment B?		X		
H	Was build-to-suit or capital project considered? Budget constraints prohibited the consideration of a build-to-suit or capital project.			X	
3.	Portfolio Management				
A	Did department utilize CAO Space Request Evaluation (SRE)?		X		
B	Was the space need justified?		X		
C	If a renewal lease, was co-location with other County departments considered?		X		
D	Why was this program not co-located?				
	1. ___ The program clientele requires a "stand alone" parking area.				
	2. <u>X</u> No suitable County occupied properties in project area.				
	3. <u>X</u> No County-owned facilities available for the project.				
	4. ___ Could not get City clearance or approval.				
	5. ___ The Program is being co-located.				
E	Is lease a full service lease? ² County provides interior maintenance, utilities, janitorial service and supplies.			X	
F	Has growth projection been considered in space request?		X		
G	Has the Dept. of Public Works completed seismic review/approval?		X		
	¹ As approved by the Board of Supervisors 11/17/98				

²If not, why not?

DEPARTMENT OF MENTAL HEALTH
SPACE SEARCH - 5 MILE RADIUS FROM 17707 STUDEBAKER ROAD, CERRITOS

LACO	FACILITY NAME	ADDRESS	SQUARE GROSS	FEET NET	OWNERSHIP	SQUARE FEET AVAILABLE
6467	AG COMM/MTS MEAS-SOUTH GATE ADMINISTRATION	11012 GARFIELD AVE, SOUTH GATE 90280	21902	15325	OWNED	NONE
4238	ANIMAL CONTROL #1-DOWNEY SHELTER ADMIN BLDG	11258 GARFIELD AVE, DOWNEY 90242	4257	2772	OWNED	NONE
1203	DHS-PUBLIC HEALTH FACILITIES BUILDING 301/302	12838 ERICKSON AVE, DOWNEY 90242	19575	12170	OWNED	NONE
5028	DHS-PUBLIC HEALTH LABORATORIES BUILDING 1100	12730 ERICKSON AVE, DOWNEY 90242	38229	19996	OWNED	19996
	PUBLIC SAFETY-HEADQUARTERS/HEALTH SVCS					
1100	BUREAU	7601 E IMPERIAL HWY, DOWNEY 90242	15482	9221	OWNED	NONE
1264	RANCHO-BONITA HALL (REHAB ENGINEERING)	7601 E IMPERIAL HWY, DOWNEY 90242	6612	3426	OWNED	NONE
1205	RANCHO-BUILDINGS 303/304 KINESIOLOGY (UNUSED)	7601 E IMPERIAL HWY, DOWNEY 90242	25689	15462	OWNED	15462
2892	RANCHO-BUILDINGS 605/606	7601 E IMPERIAL HWY, DOWNEY 90242	15658	12249	OWNED	NONE
	RANCHO-CARPENTER SHOP/CRAFTS OFFICES					
1275	(UNUSED)	12925 JUNIPER ST, DOWNEY 90242	11624	7972	OWNED	7972
1238	RANCHO-CASA CONSUELO (UNUSED)	7601 E IMPERIAL HWY, DOWNEY 90242	41643	22713	OWNED	22713
1196	RANCHO-CLASSROOM BUILDING/ BLDG 208 (UNUSED)	7601 E IMPERIAL HWY, DOWNEY 90242	6245	4427	OWNED	4427
1194	RANCHO-DIETARY OFFICE/BUILDING 206 (UNUSED)	7601 E IMPERIAL HWY, DOWNEY 90242	6245	4231	OWNED	4231
1189	RANCHO-GENERAL SERVICES/BLDG 201 (UNUSED)	7601 E IMPERIAL HWY, DOWNEY 90242	7271	4668	OWNED	4668
1180	RANCHO-HARRIMAN BUILDING 400 - ADMINISTRATION	7601 E IMPERIAL HWY, DOWNEY 90242	85879	39682	OWNED	NONE
1199	RANCHO-HISTOPATHOLOGY LAB/BLDG 311 (UNUSED)	7601 E IMPERIAL HWY, DOWNEY 90242	6381	4647	OWNED	4647
	RANCHO-HOSPITAL LANDSCAPE CONTRACTORS					
1254	OFFICE	7601 E IMPERIAL HWY, DOWNEY 90242	2663	2045	OWNED	2045
3385	RANCHO-HOSPITAL OFFICE BLDG 500,501,502 & 503	7601 E IMPERIAL HWY, DOWNEY 90242	88104	63850	FINANCED	NONE
1190	RANCHO-HOUSEKEEPING/ BUILDING 202 (UNUSED)	7601 E IMPERIAL HWY, DOWNEY 90242	6219	4661	OWNED	NONE
1198	RANCHO-NURSING EDUCATION/BLDG 210 (UNUSED)	7601 E IMPERIAL HWY, DOWNEY 90242	6462	3955	OWNED	3955
1191	RANCHO-PURCHASING OFFICE/ BLDG 203 (UNUSED)	7601 E IMPERIAL HWY, DOWNEY 90242	6339	4055	OWNED	4055
1193	RANCHO-RECREATION SERVICES/ BLDG 205 (UNUSED)	7601 E IMPERIAL HWY, DOWNEY 90242	6245	4518	OWNED	4518
X238	RANCHO-SUPPORT SERVICES ADMINISTRATION BLDG	7601 E IMPERIAL HWY, DOWNEY 90242	86200	56002	FINANCED	NONE
1267	RANCHO-TRANSPORTATION OFFICE (UNUSED)	7601 E IMPERIAL HWY, DOWNEY 90242	3542	2860	OWNED	2860
A498	DCFS-KINSHIP SUPPORT SERVICES PROGRAM CENTER	9834 NORWALK BLVD, SANTA FE SPRINGS 90670	5875	5580	LEASED	NONE
A355	DCFS-REGION IV OFFICES AND TRAINING CENTER	10355 SLUSHER DR, SANTA FE SPRINGS 90670	65568	50633	LEASED	NONE
A560	DCSS-EAST RANCHO DOMINGUEZ SERVICE CENTER	4513 E COMPTON BLVD, RANCHO DOMINGUEZ 90221	4436	3188	LEASED	NONE
6059	DOWNEY ADMIN CTR-ADMINISTRATIVE CENTER BLDG	9150 E IMPERIAL HWY, DOWNEY 90242	327972	264536	FINANCED	NONE
4401	DHS-BELLFLOWER HEALTH CENTER	10005 E FLOWER ST, BELLFLOWER 90706	15524	9053	OWNED	NONE
D221	DPSS-NORWALK WS DISTRICT OFFICE	12727 NORWALK BLVD, NORWALK 90650	40500	30928	LEASED	NONE
	HARRY HUFFORD REGISTRAR-RECORDER/CO CLERK					
X168	BLD	12400 E IMPERIAL HWY, NORWALK 90650	262510	240600	FINANCED	NONE
A068	NORWALK IMPERIAL CENTRE (AKA BECHTEL BLDG)	12440 E IMPERIAL HWY, NORWALK 90650	58642	52778	LEASED	NONE
3769	DHS-NORWALK HEALTH CENTER (CLOSED)	12360 FIRESTONE BLVD, NORWALK 90650	4844	2288	OWNED	2288
	DPSS-COMPUTER SERVICES/ LEADER PROGRAM					
A358	OFFICE	14714 CARMENITA RD, NORWALK 90650	44250	42038	LEASED	NONE
	DEPT OF ANIMAL CARE AND CONTROL					
A350	HEADQUARTERS	5898 CHERRY AVE, LONG BEACH 90808	12450	9897	OWNED	NONE
A139	DCFS-REGION VII LAKEWOOD SERVICES OFFICE	4060 WATSON PLAZA DR, LAKEWOOD 90712	87200	60265	LEASED	NONE
A126	DA-CRIMINAL JUSTICE INFORMATION SYSTEM/ ISAB	12750 CENTER COURT DR, CERRITOS (DAIRY VALLEY) 90701	20187	19044	LEASED	NONE

**AMENDMENT NO. 1 TO LEASE NO. 67852
17707 STUDEBAKER ROAD, CERRITOS**

THIS AMENDMENT NO. 1, TO LEASE NO. 67852 made, entered and dated as of this _____ day of _____, 2005 by and between STUDEBAKER-CERRITOS PROJECT, LTD., a California limited partnership, hereinafter referred to as "LESSOR" and the COUNTY OF LOS ANGELES, a body corporate and politic, hereinafter referred to as "LESSEE".

W I T N E S S E T H

WHEREAS, a Lease and Agreement by and between Studebaker-Cerritos Project, Ltd., as Lessor, and the County of Los Angeles as Lessee was executed on October 18, 1994, pursuant to which Lessor leased to Lessee those certain Premises located at 17707 Studebaker Road, Cerritos, California, and;

WHEREAS, Lessor and Lessee desire to amend the terms of the Lease and Agreement to extend the term, increase the rental rate, provide an accurate description of the Premises, provide Lessee a cancellation right, provide Lessee the option to purchase the Premises, provide certain improvements to the Premises at Lessor's sole cost and expense and provide an additional tenant improvement allowance to further upgrade the space, if desired by Lessee, and;

WHEREAS, the terms of this Amendment No. 1 to Lease No. 67852 will not become effective until such time that said Amendment is executed by all parties herein.

NOW, THEREFORE, in consideration of the foregoing recitals, which are hereby deemed a contractual part hereof and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and the rents, covenants and agreements herein contained, and intending to be legally bound, Lessor and Lessee hereby covenant and agree as follows:

1. **DESCRIPTION OF PREMISES:** Effective upon execution of this Amendment by the parties herein, Paragraph 1, DESCRIPTION OF PREMISES is hereby deleted in its entirety and the following substituted therefor:

The Lessor, for and in consideration of the performance of the covenants and agreements hereinafter contained to be kept and performed by the Lessee, upon the following terms and conditions, hereby leases to the Lessee, and the Lessee hereby hires and takes of and from the Lessor, those certain premises located at 17707 Studebaker Road, Cerritos, in the County of Los Angeles, State of California, more particularly described as approximately 27,924 rentable square feet of office space comprising the entire building and legally described in the attached Exhibit A.

The Premises shall consist of approximately 27,924 rentable square feet and 117 structured and surface parking spaces. Lessor represents that 27,924 rentable square feet is the maximum amount of square footage available, and that at no time, except by specific amendment to this Lease, will the amount of square footage as contained herein exceed the amount stated above.

Lessor and Lessee have field-measured and verified the exact square footage of the Premises. All measurements were taken in accordance with the methods of measuring rentable/usable area as described in the Standard Method for Measuring Floor Area in Office Buildings, ANSI Z65.1-1996, as promulgated by the Building Owners and Management Association (BOMA) International.

2. **TERM:** Effective upon execution of this Amendment by the parties herein, Paragraph 2, TERM, will be deleted in its entirety and the following substituted therefor:

The term of this Lease commenced January 22, 1995 and will terminate on January 21, 2015, unless otherwise extended, or terminated earlier in accordance with the conditions and provisions contained herein or in future amendment executed in writing between the parties.

3. **RENT:** Effective upon execution of this Amendment by the parties herein, and for the remainder of the Term but not retroactively, Paragraph 3, RENT, is hereby deleted in its entirety and the following is substituted therefor:

The Lessee hereby agrees to pay as rent for said demised Premises during the term the sum of thirty-nine thousand ninety-three and 60/100 dollars (\$39,093.60) per month, i.e., \$1.40 per rentable square foot per month, payable in advance by Auditor's General Warrant. Rental payments shall be payable within fifteen days after the first day of each and every month of the term hereof provided Lessor has caused a claim therefor for each such month to be filed with the Auditor of the County of Los Angeles prior to the first day of each month.

4. **CANCELLATION:** Effective upon execution of this Amendment by the parties herein, Paragraph 5, CANCELLATION, is hereby deleted in its entirety and the following is substituted therefor:

Lessee shall have the right to cancel this Lease at or any time after sixty (60) months from the commencement of the extended term pursuant to this Amendment (i.e., January 22, 2005) by giving the Lessor not less than one-hundred twenty (120) days prior written notice by Chief Administrative Office letter.

5. **NOTICES:** Paragraph 15, NOTICES, is hereby deleted in its entirety and the following is substituted therefor:

Notices desired or required to be given by this Lease or by any law now or hereinafter in effect shall be given by enclosing the same in a sealed envelope with postage prepaid, certified or registered mail, return receipt requested, with the United States Postal Service.

Any such notice and the envelope containing the same shall be addressed to the Lessor as follows:

909 South Ramona Avenue
Suite A
Corona, CA 91719

or such other place as may hereinafter be designated in writing by the Lessor except that Lessor shall at all times maintain a mailing address in California. The notices and envelopes containing the same shall be addressed to the Lessee as follows:

Board of Supervisors
Kenneth Hahn Hall of Administration, Room 383
500 West Temple Street
Los Angeles, CA 90012

with a copy to:

Chief Administrative Office, Real Estate Division
222 South Hill Street, 3rd Floor
Los Angeles, CA 90012
Attention: Director of Real Estate

6. **INDEMNIFICATION AND INSURANCE REQUIREMENTS:** Paragraph 17, **INSURANCE**, is hereby deleted in its entirety and the following is substituted therefor:

During the term of this Lease, the following indemnification and insurance requirements shall be in effect.

- a. **Indemnification:** Lessor shall indemnify, defend and hold harmless Lessee, from and against any and all liability, including but not limited to demands, claims, actions, fees, costs, and expenses (including attorney and expert witness fees), arising from or connected with Lessor's ownership, repair, maintenance and other acts and/or omissions arising from and/or relating to the Premises.

Lessee shall indemnify, defend and hold harmless Lessor, from and against any and all liability, including but not limited to demands, claims, actions, fees, costs, and expenses (including attorney and expert witness fees), arising from or connected with Lessee's use of the Premises.

- b. **Waiver:** Both the Lessee and Lessor each agree to release the other and waive their rights of recovery against the other for damage to their respective property arising from perils insured in the Causes-of-Loss Special Form (ISO form CP 10 30).
- c. **General Insurance - Lessor Requirements:** Without limiting Lessor's indemnification of Lessee and during the term of this Lease, Lessor shall provide and maintain the programs of insurance set forth in Paragraph 17, D, Insurance Coverage Types and Limits - Lessor Requirements. Such insurance shall be primary to and not contributing with any other insurance or

self-insurance programs maintained by Lessee, and such coverage shall be provided and maintained at Lessor's own expense.

i. **Evidence of Insurance:** Certificate(s) or other evidence of coverage satisfactory to Lessee shall be delivered to the Chief Administrative Office, Real Estate Division, 222 S. Hill Street, 4th floor, Los Angeles, CA 90012 Attn: Director of Real Estate upon execution of this Lease. Such certificates or other evidence shall:

1. Specifically identify this Lease.
2. Clearly evidence all coverages required in this Lease
3. Contain the express condition that Lessee is to be given written notice by mail at least thirty (30) days in advance of cancellation for all policies evidenced on the certificate of insurance.
4. Include copies of the additional insured endorsement (ISO form CG 20 26) to the commercial general liability policy, adding the Lessee as an additional insured.
5. identify any deductibles or self-insured retentions exceeding \$25,000.

ii. **Review of Insurance Requirements:** The types of insurance and limits required under this Lease shall be reviewed annually by the Lessor or its representative. Coverage types and limits shall reflect the prevailing practice in the Los Angeles metropolitan area for insuring similar property and casualty risks, and be subject to Lessee's approval. Insurance is to be provided by an insurance company acceptable to Lessee with an A.M. Best rating of not less than A:VII, unless otherwise approved by Lessee.

d. **Failure to Maintain Coverage:** Failure by Lessor to maintain the required insurance, or to provide evidence of insurance coverage acceptable to Lessee shall constitute a material breach of the Lease pursuant to Paragraph 12. B., Default by Lessor. Alternatively, at its sole option, Lessee may purchase such required insurance coverage, and without further notice to Lessor, deduct any premium costs advanced by Lessee for such insurance from any rental payments next due to Lessor.

i. **Insurance Coverage Types and Limits - Lessor Requirements:**
General Liability insurance (written on ISO policy form CG 00 01 or its equivalent) with limits of not less than the following:
General Aggregate: \$ 2 million
Products/Complete
Operations Aggregate: \$ 2 million
Personal and Advertising Injury: \$ 1 million
Each Occurrence: \$ 1 million

ii. **Commercial Property insurance:** Such insurance shall:
1. Cover damage to Lessor's property, including improvements and betterments, from perils covered by the Causes-of-Loss Special Form (ISO form CP 10 30), and include Ordinance or Law coverage.
2. Be written for the full replacement cost of the property, with a deductible of no greater than 5% of the property value. Insurance proceeds shall be payable to the Lessor and the Lessee as their interests may appear and be utilized for repair and restoration of the

Premises. Failure by Lessor to use such insurance proceeds to timely repair and restore the Premises shall constitute a material breach of this Lease pursuant to Paragraph 12B, Default by Lessor.

3. Include a Waiver of Subrogation in favor of Lessee.

e. **General Insurance - Lessee Requirements:** During the term of this Lease, Lessee shall maintain a program of insurance coverage as described below. Lessee, at its sole option, shall use commercial insurance and/or self-insurance coverage or any combination thereof to satisfy these requirements. Certificate(s) evidencing coverage will be provided to Lessor after execution of this Lease at Lessor's request.

f. **Insurance Coverage Types and Limits - Lessee Requirements:**
General Liability coverage (equivalent to ISO policy form CG 00 01) with limits of not less than the following:

General Aggregate:	\$ 2 million
Products/Completed	
Operations Aggregate:	\$ 1 million
Personal and Advertising Injury:	\$ 1 million
Each Occurrence:	\$ 1 million

Lessor shall be an Additional Insured (or its equivalent) with respect only to liability arising from Lessee's sole negligence in its use of the leased Premises.

7. **OPTION TO PURCHASE:** Paragraph 19, RIGHT OF FIRST REFUSAL, is hereby deleted and new Paragraph 19, OPTION TO PURCHASE is substituted therefor:

Lessor hereby grants to Lessee the exclusive option to purchase the fee simple title to the real property and improvements legally described in Paragraph 1 of this Lease and Agreement. The option may be exercised by giving Lessor not less than one-hundred eighty (180) days prior written notice of intent to exercise the purchase option at any time after the 60th month of the term of this Lease or any renewal period thereof. In the event Lessee elects to purchase the property, Lessee shall complete the public notice requirements of Government Code Section 25350, or the statute then prevailing, prior to consummating the purchase.

The purchase price shall not exceed ninety-five percent (95%) of Fair Market Value at the time notice is given to Lessor. For purposes of this Section 19, the term Fair Market Value shall be determined by appraisal in accordance with the methodology described below, which determination shall be conclusive.

Concurrently with Lessee's written notice of intent to exercise the purchase option, Lessee shall cause an appraisal of the premises to be performed at Lessee's sole cost and expense. In the event Lessor is not in agreement with this first estimate of value, a second appraisal based upon the same methodology described above shall be undertaken at Lessor's sole cost and expense and the resulting value estimate averaged with that of the first appraisal to determine the purchase price. Lessor and Lessee agree that these appraisals shall be performed by appraisers designated as members of the Appraisal Institute of Real Estate Appraisers (MAI), Society of Real Estate Appraisers (SREA), or successor organization.

In the event that Lessee exercises said option, escrow shall be opened forthwith by Lessee with an escrow holder of Lessee's choice. (If the County of Los Angeles is the Lessee at the time of the exercise of the option, escrow may be accomplished through the escrow unit of the Chief Administrative Office.) Lessor shall deposit therein all necessary documents including but not limited to a grant deed for the purpose of effecting a transfer of ownership between Lessor and Lessee. Lessee shall thereafter deposit into such escrow all of the consideration and purchase price to be paid by Lessee in order to enable the escrow holder concurrently with the close of escrow to pay and discharge the unpaid obligations secured by any deed of trust or other encumbrance. Escrow fees or costs shall be shared equally by both parties. Lessee shall continue to pay rent until the close of escrow or until ninety (90) days after Lessee opens escrow, whichever occurs first, unless escrow shall be extended for the number of days of delay for which Lessee is responsible for such delay and Lessee shall pay rent during such delay. Lessor shall provide a policy of standard title insurance (ALTA policy) satisfactory to Lessee from a reputable title company selected by Lessee insuring the record ALTA policy title of said property in an amount not less than the purchase price and to be vested in the Lessee free from any and all adverse claims and/or encumbrances.

8. PREPARATION OF PREMISES: New Paragraph 27, PREPARATION OF PREMISES, is hereby incorporated into Lease No. 67852 as follows:

a. Lessor within one-hundred-eighty (180) days after receipt of a duly executed copy of this Lease document will, at its sole cost and expense, cause to be performed and completed the improvements as described below. All work shall be in compliance with the American Disabilities Act (ADA), the Labor Code of the State of California and all applicable City, County, State and Federal building codes, regulations and ordinances required for beneficial occupancy. Lessor shall perform all major work during weekends and after normal business hours.

- Provide Roof Framing Inspection and report to Lessee
- Repair all supporting roof members and provide secure attachment to all perimeter walls
- Provide structural repair where necessary
- Replace all HVAC units with new units and all existing ducting throughout with new ducts
- Insulate ceiling with R-14 batt insulation
- Upgrade all bathrooms to current ADA standard
- Upgrade all stairs to current ADA standard
- Upgrade elevator to current ADA standard to the fullest extent possible not to exceed ten-thousand and 00/100 dollars (\$10,000)
- Paint building exterior and garage
- Resurface and re-stripe the entire parking lot in accordance with Paragraph 27, A, and again on the fifth anniversary date of the commencement of the lease term.
- Repair ground sprinkler system and upgrade landscaping

b. In the event Lessor should fail, neglect or refuse to commence the preparation of premises work required by Paragraph 27 a, herein, or fail, neglect or

refuse to pursue said preparation of premises work with reasonable diligence to completion, the Lessee at its sole discretion may perform or cause to be performed said preparation of premises work and deduct the cost thereof from the installments of rent next due as a charge to the Lessor.

c. Additional Tenant Improvement Allowance: At Lessee's sole discretion, the commencement of the construction of the tenant improvements by Lessor shall occur at any time during the initial sixty (60) months of the Lease term. When requested by County and upon receipt of a duly executed copy of this Lease document and County-approved preliminary plans, Lessor will, at its own expense, cause a licensed California architect to prepare final working drawings and specifications for the proposed interior tenant improvements which are to be provided by Lessor, over and beyond Lessor's obligations pursuant to Paragraph 27a, above but shall be repaid by Lessee over the then remaining term of the Lease. The additional tenant improvement allowance shall be available to Lessee during the initial sixty (60) months of the Lease term. In the event actual construction of the tenant improvements has commenced but has not been completed for any reason whatsoever, during the initial sixty (60) months of the Lease Term, the Additional Tenant Improvement Allowance shall remain available to fund the completion of the work.

Lessee may authorize Lessor after review of estimates and written approval of the Chief Administrative Officer to pay up to a maximum total of \$837,720 (\$30 per square foot). Lessee agrees to reimburse Lessor for tenant improvement cost of \$30 per square foot, and will amortize said cost at the rate of eight percent 8% per annum over the lease term. The Lessee may at anytime during the Lease term pay Lessor in a lump sum for all or any portion of the tenant improvement cost and reduce the rental rate per Paragraph 3 accordingly. Lessor will notify Lessee of the tenant improvement final cost, and the amount payable monthly by Lessee in addition to the rent. For purposes of ascertaining the actual cost of said tenant improvements, Lessor shall provide to Lessee, upon the issuance of a Certificate of Occupancy, or a final sign-off by the City of Cerritos, a detailed breakdown of the total costs of constructing the tenant improvements and execute a summarized breakdown of the total costs of the tenant improvements in the form of the attached Exhibit C with the right to audit these costs for a period of twenty-four months from the date of commencement of the term of this Lease.

In the event Lessee requests a rent reduction due to its audit of these costs, Lessee shall provide Lessor with a copy of the audit summary as part of its request.

The working drawings are to be prepared in accordance with Lessee's preliminary plans and specifications dated _____, 200__. Said Plans and Specifications will also be on file with the Chief Administrative Office, will be identified as Exhibit B and incorporated herein by reference thereto and Lessor will have a duplicate copy. Lessor shall provide any final working drawings required from said preliminary plans with Lessee having the right to review and approve said final working drawings. All work, construction and materials shall be in final working drawings and specifications. All circuit breakers, fire sprinklers, and plumbing shut off valves shall be labeled as to areas controlled both on the drawings and on the breaker panels and valves. Upon completion Lessor shall furnish the Chief Administrative Office

with one (1) complete set of reproducible as-built drawings of the tenant improvements on an Auto CAD DXF file system basis, together with the existing plans, if any, showing the locations of any underground utility lines and their depths.

The Premises shall meet all applicable City, County State and Federal building codes, regulations and ordinances required for beneficial occupancy. Any work, including construction, that Lessor must undertake to obtain the necessary jurisdictional approvals for occupancy shall be at Lessor's sole cost and expense and shall not be considered as part of the tenant improvement allowance. Any work to meet applicable code requirements necessitated by Lessee's special requirements shall be included as part of the tenant improvement allowance.

The Lessor shall submit three bids for the construction of the tenant improvements to the County for its review and approval prior to award of the contract. The bids shall include an itemized list of all materials, specifications and labor and shall include all additional costs including A/E fees, permits, reasonable contractor's profit and overhead, and project management fees. Three bids for the purchase and installation of the office furniture system, prepared by the furniture dealer, shall be included in the construction estimates, if applicable.

The tenant improvement cost shall not include any costs incurred for asbestos abatement, fire sprinkler system, or conversion of air conditioning systems to eliminate use of CFC refrigerants that are harmful to the atmosphere. All work for required asbestos abatement, fire sprinkler system, or air conditioning system conversion shall be performed at the sole cost and expense of Lessor.

d. Completion The parties agree that the estimated time for completion of said tenant improvements is 180 days from the date of issuance of the building permit based on the Construction Schedule attached herewith as Exhibit F. Lessor shall file for a building permit to construct the improvements within ten (10) days of completion of final working drawings and acceptance by Lessee and diligently pursue to obtain the permit as soon as possible.

Completion may be delayed by:

- i. Acts or omissions of Lessee or of any employees or agents of Lessee (including change orders in the work), or
- ii. Any act of God which Lessor could not have reasonably foreseen and provided for, or
- iii. Any strikes, boycotts or like obstructive acts by employees or labor organizations which Lessor cannot overcome with reasonable effort and could not reasonably have foreseen and provided for, or
- iv. Any war or declaration of a state of national emergency, or
- v. The imposition by government action or authority of restrictions upon the procurement of labor or materials necessary for the completion of the building Premises.

e. Change Orders All Lessee requested and approved change orders shall not exceed a total cost of fifty-thousand Dollars (\$50,000) and Lessor shall not be required to accept any particular change order if the total cost of prior Lessee initiated change orders exceeds fifty-thousand dollars (\$50,000). The Chief

Administrative Officer is hereby authorized to approve change orders on behalf of Lessee. Lessee may pay for change order costs in lump sum, or may, at its option, amortize the change order costs over the term of the Lease including interest at the rate of eight percent (8%) per annum, i.e., twelve and 13/100 Dollars (\$12.13) per month for each ONE THOUSAND DOLLARS (\$1,000.00) of change order costs. Lessor, or Lessor's contractor, shall submit to the Chief Administrative Officer, with each requested change order (a) specific cost of the requested change; (b) the cumulative net total cost of all change orders previously approved; and (c) an estimate of the construction time which will be increased or shortened if the change order is approved. Each change order shall be signed and dated by the Chief Administrative Officer to be considered approved. Lessee shall have the right to audit the cost of the changes for a period of twenty-four months from the date of commencement of the term. In the event Lessee requests a rent reduction due to its audit of these costs, Lessee shall provide Lessor with a copy of the audit summary as part of its request.

f. Lessee Remedies If Lessor fails to obtain the building permit within a reasonable time, taking all factors into consideration, or if tenant improvements have not been completed within sixty (60) days from the estimated time of completion, which period shall be extended for a reasonable time for delays enumerated in subparagraph B above, Lessee may, at its option:

- i. Cancel the Lease upon thirty (30) days written notice to Lessor; or
- ii. Upon thirty (30) days written notice to Lessor, assume the responsibility for providing the tenant improvements itself.
- iii. If Lessee elects to provide tenant improvements itself, then:
 1. Lessee, its officers, employees, agents, contractors and assignees, shall have free access to the Premises at all reasonable times for the purpose of constructing the tenant improvements and for any other purposes reasonably related thereto
 2. Rent shall be reduced by Lessee's total expense in constructing the tenant improvements, including any financing charges for capital and a reasonable amount for its administrative costs, and including interest at the rate of 8%. The rent reduction schedule shall be as mutually agreed to between the parties or, if no such agreement is made, Lessee's total expense shall be fully amortized in equal monthly amounts over 10 years.

9. **RENTAL ADJUSTMENT:** New Paragraph 28, RENTAL ADJUSTMENT, is hereby added and incorporated into Lease No. 67852. It shall read as follows:

a. Adjustment Period

For each successive twelve (12) months of the original term of this Lease and for each successive twelve (12) month period thereafter, the monthly Base Rental as set forth in Paragraph 3 shall be subject to adjustment. At the first anniversary date of the first day of the first full calendar month following the commencement of the terms of this Lease and every twelve months thereafter, the rent shall be adjusted in accordance with the CPI formula set forth in Paragraph 28B. The "Base Index" shall

be the Index published for the month the Lease commences.

b. Adjustment Formula

The method for computing the annual rental adjustment shall be by reference to the Consumer Price Index for all Urban Consumers for the Los Angeles-Anaheim-Riverside area, all items published by the United States Department of Labor, Bureau of Labor Statistics (1982-84 = 100), herein referred to as "Index".

The rental adjustment for the Base Rent shall be calculated by multiplying the Lessor's base rent by a fraction, the numerator being the New Index published in the month immediately preceding the month the adjustment is effective, and the denominator being the Base Index which is the Index published for the month the Lease commences, multiply the product by .50, then add or subtract to the total result the amount needed to amortize Lessee's additional tenant improvements plus change order costs, if any. The formula shall be as follows:

New Index				
Base Index	x .50	x new base rent	+amortized costs	= new monthly rent

The total of the Base Rent, the monthly cost to amortize additional tenant improvements and change orders, if any, shall be the new monthly rental rate, i.e.:

New Monthly Rent	
+	the amount required to amortize Lessee's additional Tenant Improvements if any
+/-	the amount to amortize change orders, if any
=	New Monthly Rental Rate

If the Index is changed so that the base year of the Index differs from that used as of the commencement date of the Lease, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term of this Lease, such other governmental Index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised. In the event the parties are unable to agree upon a substitute index (if the original index is discontinued without a replacement) then upon demand by either party, the matter shall be submitted to arbitration in accordance with the provisions of Code of Civil Procedure Section 1280 et seq as they now exist or may later be amended for the purpose of determining an alternate method of computing the rent adjustment based upon the increase in the cost of living.

c. General Provisions

In no event shall the monthly rent adjustment based upon the CPI formula set forth in this Paragraph 28 result in an annual increase greater than four percent (4%) per year of the monthly base year rent of \$39,093.60 (i.e., \$1,563.74 per month annually).

In no event shall the monthly rent be adjusted by the CPI formula to result in a lower monthly rent than was payable during the previous year of the Lease.

10. Wherever a conflict exists in the terms or conditions of Amendment No. 1 to Lease No. 67852 and the original Lease, the terms and conditions of this Amendment shall prevail. All other terms and conditions of the Lease remain unchanged and are hereby reaffirmed in full force and effect.

IN WITNESS WHEREOF, the Lessor has executed this Amendment No. 1 to Lease No. 67852 or caused it to be duly executed, and the County of Los Angeles has caused this Amendment to be executed by the Chief Administrative Officer, or his designee and attested by the Clerk thereof the day, month, and year first above written.

LESSOR
STUDEBAKER-CERRITOS PROJECT, LTD

By Tomislav Gajic
Name: TOMISLAV GAJIC
Title: GENERAL PARTNER

ATTEST:

VIOLET VARONA-LUKENS
Executive Officer-Clerk
of the Board of Supervisors

COUNTY OF LOS ANGELES

By _____
Deputy

By _____
Chair, Board of Supervisors

APPROVED AS TO FORM:
Office of the County Counsel

By Francis E. Scott
Francis E. Scott
Principal Deputy County Counsel

**EXHIBIT A
LEGAL DESCRIPTION**

PARCEL 1:

That portion of the North half of the Northeast quarter of the Northeast quarter of Section 35, Township 3 South, Range 12 West, San Bernardino Meridian, in the City of Cerritos, County of Los Angeles, State of California, described as follows:

Beginning at the intersection of the Northeasterly line of the 100 foot right of way of the Pacific Electric Railroad Company, as recorded in Book 2323, Page 270 of Deeds and as shown on map of Tract No. 5578, recorded in Book 64, Page 37 of Maps, in the office of the County Recorder of said County, with the Westerly line of Studebaker Road (formerly Rose Avenue) 50.00 feet in width as shown on said map; thence along said Northeasterly line North 53° 49' 45" West 90.05 feet; thence North 14° 58' 00" West 86.77 feet to the Southwesterly corner of the land described in the deed to Philip Goddard et al. recorded on August 27, 1969 as Instrument No. 772 in Book D4478, Page 870 of Official Records of said County; thence Easterly along the Southerly line of the land described in said deed to Goddard to the Westerly line of Studebaker Road 100.00 feet wide; thence Southerly along said Studebaker Road to said Northeasterly line of the Pacific Electric Railroad Company right of way; thence North 53° 49' 45" West along said Northeasterly line to the point of beginning.

Also that portion of said land lying within the East 30 feet of the North half of the Northeast quarter of the Northeast quarter of said Section 35 and that portion of the North half of the Northwest quarter of the Northwest quarter of Section 36, Township 3 South, Range 12 West, Rancho Los Coyotes, said portions being described as portions of the old alignment of Studebaker Road and therefor abandoned and vacated by the City of Dairy Valley City Council as adopted in Resolution Number 67-2, said resolution being recorded June 20, 1967 as Instrument No. 2793 in Book D3677, Page 518, Official Records.

PARCEL 2:

All that real property in the City of Cerritos, County of Los Angeles, State of California, described as follows:

Commencing at the Westerly terminus of that course described as South 89° 45' 40" West 14.83 feet in Parcel 1 of deed (State Parcel A5153, A5153-1) in Book D2281, Page 631, Official Records; thence South 14° 58' 00" East 223.62 feet to the true point of beginning of this description; thence continuing South 14° 58' 00" East 14.03 feet; thence South 40° 12' 42" West 51.02 feet to a point in the Northeasterly line of the 100 foot right of way of the Pacific Electric Railway Company as shown on map of Tract 5578 recorded in Book 64, Page 37 of Maps, in the office of the County Recorder of said County, distant along said Northeasterly line North 53° 47' 45" West 89.61 feet from the Southerly terminus of that certain course described as having a bearing of North 14° 58' 00" West in said Parcel 1; thence along said Northeasterly line South 53° 49' 45" East 89.61 feet to said Southerly terminus; thence along said certain course North 14° 58' 00" Superior Court West 108.89 feet to a line which bears South 89° 11' 15" East and passes through said true point of beginning; thence North 89° 11' 15" West 14.98 feet to said true point of beginning.

EXHIBIT B
PLANS AND SPECIFICATIONS

EXHIBIT C
MEMORANDUM OF TENANT IMPROVEMENT COST

This Agreement is dated this _____ day of _____, 200_, for reference purposes only, by and between Lessor, STUDEBAKER-CERRITOS PROJECT, LTD., a California limited partnership, and Lessee, COUNTY OF LOS ANGELES, a body corporate and politic.

1. The parties hereto have entered into a Lease Amendment dated as of January 18, 2005, (the "Lease Amendment") for the leasing by Lessor to Lessee of the buildings located at 17707 Studebaker Road, Cerritos ("the Premises").

2. Lessor and Lessee hereby confirm the following:

(a) The final total cost of the tenant improvements is _____ (\$_____). This is comprised of:

<u>Lease Budget</u>		<u>Actual Cost</u>
\$0	Tenant Improvement Allowance	\$_____
\$837,720	Additional Tenant Improvement Allowance	\$_____
\$50,000	Change Order Allowance	\$_____
\$887,720	Total Tenant Improvements	\$_____

(b) The final total cost of the modular furniture, if applicable, (which is included in Paragraph 27) is (\$_____).

IN WITNESS WHEREOF, Lessor and Lessee have respectfully signed this Agreement.

LESSOR:
STUDEBAKER-CERRITOS PROJECT, LTD., a
California limited partnership

By: _____

LESSEE:
COUNTY OF LOS ANGELES,
a body politic and corporate

By: _____
Chuck W. West, CCIM, Esq.
Director of Real Estate